



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

January 31, 2011

Honorable James R. Fannin, Chairman  
Joint Legislative Committee on the Budget  
and Members of the Committee  
P.O. Box 44294  
Baton Rouge, LA 70804

Dear Committee Members:

In accordance with Louisiana Revised Statute (R.S.) 39:87.5(D)(8), we have completed our analysis of the material and substantive accuracy of the proposal submitted by the Louisiana Department of Economic Development (LED) for a financial award based on the Exceptional Performance and Efficiency Incentive Program. LED's proposal asks for \$30,000 to renovate the first floor kitchen/breakroom of the Capitol Annex based on the exceptional performance of the agency.

Attachment 1 to this letter provides the results of our analysis and verification of LED's proposal (Attachment 2). In summary, we found the following:

The proposal is materially accurate except for the following item:

- The performance indicators cited in the proposal indicate that LED identified 21 national ranking reports showing Louisiana with an improved state ranking over previous periods. LED provided documentation of 22 reports. Our review found that 19 reports showed an improved state ranking.

I hope this information is useful in your legislative decision-making. A copy of this information has been provided to LED.

Sincerely,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP:LTL:dl

Attachments

**Louisiana Legislative Auditor**

*Department of Economic Development (LED),  
Exceptional Performance and Efficiency Incentive Program*

Louisiana Revised Statute (R.S.) 39:87.5(D)(4) requires the legislative auditor to verify the material and substantive accuracy of the information contained in a proposal submitted pursuant to the Exceptional Performance and Efficiency Incentive Program. R.S. 39:87.5(D) provides the types of performance to be achieved to qualify for the award. A proposal may be based on exceptional performance wherein an agency demonstrates that it has consistently met or exceeded a significant number of performance standards.

LED bases its proposal (see Attachment 2) on exceptional performance. LED staff identified 21 national ranking reports showing Louisiana with an improved state ranking over previous periods. According to the proposal, LED has significantly exceeded performance indicators as a result of initiatives implemented since fiscal year 2009.

**Proposed Reward Amount**

LED requests a total reward in the amount of \$30,000 to renovate the first floor kitchen area of the Capitol Annex building.

**Accuracy of Information in the Proposal**

The proposal was materially accurate except for the following item:

- The performance indicators cited in the proposal indicate that LED identified 21 national ranking reports showing Louisiana with an improved state ranking over previous periods. We found that 19 reports showed Louisiana had an improved state ranking.

Although the performance indicator cited 21 reports, LED provided copies of 22 national reports for our review. We were able to verify that Louisiana improved in 19 of these reports. The other three reports had the following issues:

**Two of the ranking improvements LED used for its performance indicators for fiscal year 2010 actually occurred in fiscal year 2009 and should have only been counted as one report.** LED included two rankings from the 2009 ALEC-Laffer State Economic Competitiveness Index in its calculation of 21 ranking improvements in 2010. This report was actually published in March 2009, which falls in fiscal year 2009. LED staff informed us that this report was included in the fiscal year 2010 indicators because they did not identify the ranking achievement until that time. In addition, since these two rankings were within one report, it should only have been counted as one report in the calculation of the indicator.

**One of the ranking improvements LED used for its performance indicators is not a period-over-period ranking improvement.** LED used a story from Economy.com recognizing Louisiana as one of only 11 states already recovering from recession. However, the story does not demonstrate an improved state ranking over a previous period.

# REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

DEPARTMENT:  SCHEDULE:   
AGENCY:  PROGRAM:   
ACTIVITY:   
SUBJECT FISCAL YEAR:

*This proposal is for a reward based on exceptional performance.*

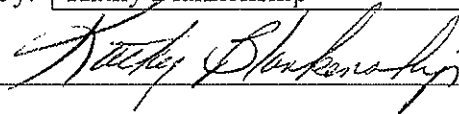
This original document, plus five copies, must be received by the Incentive Program Review Subcommittee of the Joint Legislative Committee on the Budget by 5:00 p.m. on November 15<sup>th</sup>. The Subcommittee's physical address is 900 N. 3<sup>rd</sup> St., State Capitol, 15<sup>th</sup> Floor, Baton Rouge, LA 70804; the mailing address is P.O. Box 44294, Baton Rouge, LA 70804; the e-mail address is "jlcob@legis.state.la.us".

*Provide a brief summary of the proposal, noting whether this proposal is based on the exceptional achievements of a particular activity which is the a subset of a program, or upon the achievements of an entire program, multiple programs or the agency. Include information about the reward requested and its proposed use. Please limit this description to about 125 words.*

This proposal is based on the exceptional achievement of the entire agency. Louisiana was cited in various national reports in 2009 as having improved significantly in state rankings over previous reports. This is a result of the efforts of the entire staff of the Department of Economic Development. This proposal offers to recognize this accomplishment, through a one-time non-recurring award in the amount of \$30,000 to renovate the first floor kitchen/breakroom of the Capital Annex to benefit all employees.

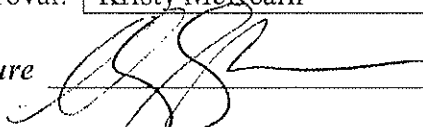
Application prepared by:  Date:

Signature

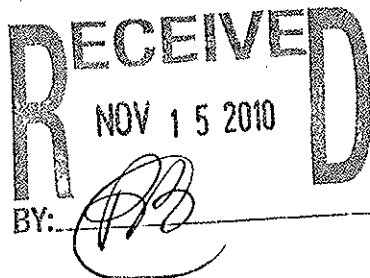


Agency head approval:  Date:

Signature



Received by the Performance Review Subcommittee: Date:



Sent to the Legislative Auditor Date:

Response from Legislative Auditor: Date:

## REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

Disposition by Subcommittee:

Date:

### *Part One: Explanation of the Activity and the Exceptional Performance*

Describe the activity (the "subject activity"), program and performance data upon which your proposal is based. The subject activity may be a subset or component of a program (or equivalent), or involve the efforts of one or more programs or the entire agency. Be specific in identifying the organizational unit or area where the exceptional performance was achieved. Section A. is used to give a narrative description, and Section B. is used to provide the specific performance data.

- A. Provide a detailed narrative description of the subject activity or program(s) and summarize the exceptional performance achieved by that entity.

## REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

*Describe the activities and achievements forming the basis for this proposal, including as much detail as is practical. Use the activity names, program names or references as specified in your operational plan, AFS, expenditure organization, the Discretionary/Non-Discretionary Budget Addendum, or equivalent. Include the number of years that your agency has performed the subject activity, and also whether it is mandated by law. Provision of more information will afford reviewers the maximum insight into the circumstances upon which this proposal is based.*

The performance indicators being used to demonstrate the progress of all LED programs as a whole are reflected in the Office of the Secretary, Administration Program, State Economic Competitiveness Activity which shows how we have significantly exceeded performance indicators. This is a result of initiatives implemented since FY09.

Louisiana traditionally has been listed near the bottom of many significant national rankings, but this trend started to change in a very positive direction in 2008 and continued in 2009. In 2009, Louisiana's rank rose across multiple major economic and business-climate rankings.

- In July 2009, Southern Business & Development magazine named Louisiana "Co-state of the Year," noting that Louisiana attracted more significant business investment and job-creating projects per capita than any other state in the South. *(Note: Louisiana also secured "Co-state of the Year" in 2010.)*
- Comprehensive governmental ethics reforms implemented by Gov. Jindal and the Legislature catapulted Louisiana to first from 44th in the country in the Center for Public Integrity's legislative financial disclosure rankings.
- Louisiana finished in the top 25 for the second consecutive year in Site Selection magazine's "Top State Business Climate Rankings." *(Note: Louisiana secured its highest rank ever of 9<sup>th</sup> place on the "Top State Business Climate Rankings" in 2010.)*
- Louisiana jumped five spots in the Forbes ranking of "Best States for Business" to its highest rank ever, and the state ranked eighth best in the country for its growth prospects.
- Louisiana moved up to 27th in 2009 from 40th in 2008 in Pollina Corporate's "Top 10 Pro-Business States" ranking, due in large part to more aggressive business recruitment and marketing efforts. *(Note: Louisiana's rank continued to rise in 2010, reaching an all-time high of 20<sup>th</sup>.)*
- Louisiana climbed three spots to 26th in 2009 in the Small Business and Entrepreneurship Council's "Business Tax Index."
- Louisiana rose in both sections of the American Legislative Exchange Council's "Laffer State Economic Competitiveness Index." Louisiana rose to 18th in 2009 from 21st in 2008 (revised rank of 24th) for Economic Outlook and rose to 35th in 2009 from 43rd in 2008 for Economic Performance.
- The Southern Economic Development Council awarded Louisiana the Excellent Award for Louisiana Economic Quarterly® and two Merit awards for Louisiana's national economic-development print campaigns.

# REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

B. Provide detailed performance data evidencing the exceptional performance represented in your proposal. Be sure to note those specific performance indicators and standards which are particularly important. Provide any separate or narrative background information necessary to highlight or support the exceptional nature of the performance. *All proposers must complete Format 1. Format 2 is to be used to report additional data which is not captured in LaPAS.*

Using Format 1, list all objectives and performance indicators for the subject year and at least the immediately preceding year (three years of data is best) for the program (or equivalent) in which the subject activity occurred. Provide the performance standards from the enacted budget/LaPAS. For proposals based on activities which occur at the sub-program (or equivalent) level which are not directly reflected in the agency's LaPAS performance data, the data for the program (or equivalent) comprising such activity is *required*. In cases where multiple programs are involved, provide the performance data for the entire agency.

*Format 1. Provide the LaPAS data using this format, attaching addenda as necessary.*

<b>Program (or agency):</b>	Administration					
<b>Objective:</b>	Improve Louisiana's attractiveness as a place to invest by identifying 10 major competitiveness improvements annually.					
	<b>FY</b>		<b>FY 08/09</b>		<b>FY 09/10</b>	
<b>Performance Indicators</b>	Standard	Actual	Standard	Actual	Standard	Actual
Number of major state competitiveness improvements identified			New	15	10	18
Number of major state competitiveness improvements implemented			New	9	5	7
Number of significant improvements made for business and governmental interactions (e.g. permitting, business incentives, filings)			3	3	3	5

# REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

Number of national ranking reports showing Louisiana with an improved state ranking over previous periods			N/A	N/A	3	21
Percentage of readers of the Economic Quarterly (EQ) believe progress is being made with the business climate in Louisiana			N/A	N/A	80%	97%

Use "Format 2" for instances where the agency's performance data in the enacted budget and LaPAS does not reflect the efforts and achievements associated with the activities forming the basis of your proposal. Provide clear and specific evidence of the establishment of an expected level of performance at the beginning of the fiscal year or before the activity was undertaken, which expectation could then be compared to actual achievements at year's end. Citation of specific source documents for this data is *required*.

## Format 2.

Program (or agency):						
	FY		FY		FY	
Performance Expectation	Standard	Actual	Standard	Actual	Standard	Actual

## REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

*In this space describe the circumstances and process related to development of the performance expectations presented in Format 2, including reference to specific source documentation.*



# REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

C. Expenditures. For the subject year and the preceding year, provide the following expenditure data for the program(s) (or equivalent) in which the subject activity occurred, as well as that for the entire agency. *Provide this data using the format below, attaching addenda as necessary.*

		Preceding Year	Subject Year
*Depart.:	Economic Development	FY08/09	FY09/10
	End-of-year actual expenditures	14,334,498	15,158,733
	End-of-year actual T.O.	131	130
Program:		FY08/09	FY09/10
	End-of-year actual Expenditures		
	End-of-year actual T.O.		
Agency:		FY08/09	FY09/10
	End-of-year actual Expenditures		
	End-of-year actual T.O.		

*\*NOTE: This request benefits the entire department. For that reason only the general operating expenses of Salaries, Operating, and Interagency Transfers are reflected. Professional Services and Other Charges categories are primarily contractual in nature and should not be included.*

## REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

### *PART TWO: ACTIONS OF EMPLOYEES*

Complete this Part if the achievements evidenced in your proposal are the result of the efforts of specific employees. Present this information in narrative fashion. You must include the employee names, job titles, and general contribution to the effort.

*Use this space or attach a separate addendum.*

### *PART THREE: EXPLANATION OF PROPOSED REWARD AND ITS USE*

I. Aggregate amount of reward requested:

\$30,000.00  
(Estimate attached)

II. Explain how the proposed reward funding would be used, whether for non-recurring expenditures or supplemental compensation, or both:

A. Non-recurring expenditures

Provide a synopsis of how the proposed reward would be used for nonrecurring expenditures

This award would be used to renovate the first floor kitchen area of the Capital Annex building. One of LED's top initiatives is creating a world-class, high-performing organization. A major component of this initiative is "Creating a Great Workplace" including leveraging the input

## REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

of a steering team and subcommittees comprised of a cross-section of LED staff to improve internal communications, professional development, and employee engagement. The effort began with a Steering Team which coordinated and identified a core set of LED values and practices and three subcommittees:

- 1) Internal Communications subcommittee focused on determining ways to improve communication among LED departments and divisions
- 2) Professional Development subcommittee focused on skill-building opportunities, leadership and managerial training, benchmarking state agency programs, and other professional development opportunities.
- 3) Employee Engagement subcommittee focused on team-building and employee motivation.

Each committee developed goals and a proposed implementation plan in order to achieve the top initiative of becoming a "Great Workplace"

The focus of this reward application is tied to our Great Workplace initiative, specifically LED's Employee Engagement subcommittee's recommendations to help improve teambuilding and increase employee motivation and dedication to service. The Employee Engagement subcommittee developed three goals in order to help create a "Great Workplace": 1) Provide community service projects to encourage employees to become involved and give back to their communities, 2) Provide opportunities to improve physically and improve one's job performance, 3) **Create a unique lunchroom environment that is tailored towards the employees and creates a team atmosphere.**

While the Capitol Annex is a beautiful historic building, the common areas shared by the employees, in this instance the employee lunchroom, is in desperate need of repair and updating. The flooring needs to be replaced, there are no countertops for employees to prepare their lunch, the seating is inadequate and is a hodge-podge of donated chairs and fold-out tables, and the appliances are extremely outdated. The room also doubles as a storage space for office supplies which limits the amount of people that may use the lunchroom at one time. While having a dedicated space is important for employees and recognized that it currently exists, small updates and additions would speak volumes to a dedicated, hardworking staff that does not have the luxury of working in a new state office building. Employees have even volunteered to help clean-up and renovate the space, but funding is still needed to complete the repairs and updates. The opportunity to utilize the exceptional performance award for an employee lunchroom which benefits the entire LED staff would be a great "pat on the back" for the numerous awards and achievements earned by LED over the last two years.

## REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

### B. Supplemental Compensation

*Provide a synopsis of the supplemental compensation plan for use of this reward, and how it would specifically be distributed among the staff responsible for the achievements evidenced in this proposal as described in Part Two (see R.S. 39:87.5(D)(6)).*

*Note: All proposals for supplemental compensation must be in compliance with rules of the Performance Review Subcommittee and the Department of State Civil Service.*

Louisiana Economic Development  
Kitchen Renovation Estimate

Square Footage: 586 sq. ft.

	Unit	Unit Price	Total
New Refrigerators (2)	2	900	1,800
New Microwaves (2)	2	525	1,050
New Cabinets (Top & Bottom)			
Base, 15lf.@100 per lf & 21 lf. Top @ \$75 sf.			
New Countertop: Formica			4,000
New Kitchen Sink			500
Ice Machine			2,500
Flooring & Base & Waxing			2,800
Plumbing			2,000
Electrical			1,200
Painting			2,800
Demo & Haul			1,200
Construction & Final Cleanup			500
Supervision			1,500
Misc			1,000
Tables & Chairs			3,500
Overhead (15%)			3,650
			<hr/> 30,000